



Why Are Canadian Marijuana Producers Rushing to Invest in Germany?

Description

Canadian marijuana players have been rushing to invest and take strategic positions in the new Germany medical cannabis market since late 2016, and this trend is set to continue going forward. It's intriguing that these cannabis firms are scrambling for this budding market when their home country is due for a long-awaited recreational marijuana legalization.

However, this is not surprising.

There is great profitability potential and huge growth opportunities to be captured in Europe — Germany in particular.

For a start, the German market is paying higher average prices for cannabis. A gram of cannabis sells at a price between €12 and €20, equivalent to between \$18 and \$30 in local currency. Compare this to the \$7-8 average price per gram in Canada, and you'll notice the big revenue gain.

Furthermore, the German medical marijuana market could be huge and could out-grow the Canadian one very fast.

Germany has a population of around 81 million inhabitants, which is 2.3 times larger than Canada today. Canada patient numbers grew by 16 times over two-and-a-half years from just 8,000 in June 2014 to almost 130,000 by December 2016. An estimated 0.4% of the local population is now using cannabis treatments.

If we are to see the same growth trends in Germany in the next two to three years, there could be more than 300,000 patients in no time, and the companies that manage to dominate supply in the European country could really do great.

The average Canadian marijuana patient is likely consuming about 0.7 grams of cannabis per day, while the 900 licensed patients in Germany were consuming about 1.8 grams per day by December 2016 — more than double the local average client.

Therefore, the combination of a huge population, a higher average price per gram, and a potentially

higher average daily product consumption in Germany offers a lucrative business-growth opportunity for local cannabis growers.

Most noteworthy, the German cannabis legislation allows insurance claims on cannabis medication. Patients can now get “free” marijuana drugs instead of out-of-pocket purchases, hence the high sales-growth numbers reported during **Aurora Cannabis Inc.’s** (TSXV:ACB) announcement of its acquisition of Pedanios GmbH, a leading Germany based marijuana distributor.

Taking **Canopy Growth Corp.** ([TSX:WEED](#)) sales as an example, the company reported latest quarterly revenues of \$14,661 million from the 1,740 kilograms and kilogram equivalents it sold to its 55,000 registered patients. Canopy could have invoiced a minimum of \$31 million or up to \$52 million from the same volumes in Germany due to the higher product price alone.

Now, consider the higher marijuana consumption rate per patient in Germany, and the quarterly numbers become unbelievable.

There is even the speculation of a possible recreational marijuana legalization in Germany in the not so distant future. It’s way too early to build on that, but Germany’s neighbors are not that strict on cannabis possession.

The Netherlands and Spain have cities where recreational consumption is legal, while some Germany states are very reluctant to prosecute offenders found with “small” amounts of cannabis for personal consumption.

Most interesting are the legal definitions in Germany marijuana laws, where “small” marijuana amounts are not specified, and states like Berlin tolerate individual possession of up to 15 grams of weed.

The new German Narcotic Drugs Act, which entered force in March 2017, allow doctors to prescribe marijuana to seriously ill patients, but according to the U.S. Library of Congress, what constitutes a “serious illness” is not defined in the act.

A migraine headache could possibly present grounds for a cannabis prescription in the future.

There are serious growth opportunities for Canadian cannabis players in Germany, and it could be wise to take a speculative investment position in a potential leader in this nascent marijuana market.

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